

**VILLAGE OF MARTIN, MICHIGAN**

**Annual Financial Statements**

**And RECEIVED**  
**Auditors' Report** OF TREASURY

**March 31, 2004** SEP 24 2004  
9/23

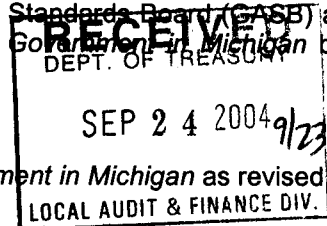
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LOCAL AUDIT & FINANCE DIV.

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Martin	County Allegan
Audit Date 3/31/04	Opinion Date 8/30/04	Date Accountant Report Submitted to State: 9/23/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.



We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable boxes for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL: 129/91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) Yeo & Yeo, P.C., CPAs			
Street Address 710 East Milham	City Kalamazoo	State MI	ZIP 49002
Accountant Signature 			

**Village of Martin, Michigan**  
**Annual Financial Report**  
**March 31, 2004**

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Cory Hess.....President  
Joyce Merrill ..... Clerk  
Anita Rambadt ..... Treasurer  
Robert Porter..... Trustee  
Gary Brinkhuis..... Trustee  
Donald Flower ..... Trustee  
Rick Martin ..... Trustee

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## Independent Auditors' Report

Members of the Village Council  
Village of Martin, Michigan

We have audited the accompanying general-purpose financial statements of the Village of Martin, Michigan, as of and for the year ended March 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly in all material respects, the financial position of the Village of Martin, Michigan as of March 31, 2004, and the results of its operations and the changes in cash flows of its proprietary fund types for the year then ended in conformity with the accounting principals generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 30, 2004, on our consideration of Village of Martin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Village of Martin, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

*Yeo & Yeo, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

Kalamazoo, Michigan  
August 30, 2004

**General Purpose Financial Statements**

**Village of Martin, Michigan**  
**Combined Balance Sheet**  
**All Fund Types and Account Groups**  
**March 31, 2004**

		Governmental Fund Types	
		General	Special Revenue
Assets			
Cash		\$ 143,382	\$ 170,718
Receivables			
Accounts		-	-
Assessments		-	-
Interest		-	-
Property taxes		5,224	-
Due from other funds		81,094	-
Due from other governmental units		-	-
Due from State of Michigan		-	8,041
Fund held by Old Kent Bank		2,461	7,858
Discount on Bonds		-	-
Property, plant and equipment - net of accumulated depreciation		-	-
Total assets		\$ 232,161	\$ 186,616
Liabilities and Fund Equity			
Liabilities			
Accounts payable		\$ 1,287	\$ 1,671
Due to other funds		16,197	52,272
Unearned water assessment revenue		-	-
Deferred assessment		-	-
N/P - John Deere			
Current		-	-
Long-term		-	-
Bonds payable		-	-
Current			
Long-term		-	-
Total liabilities		17,484	53,943
Fund equity			
Contributed capital		-	-
Investment in general fixed assets		-	-
Retained earnings			
Unreserved		-	-
Fund balance			
Unreserved		214,677	132,673
Total fund equity		214,677	132,673
Total liabilities and fund equity		\$ 232,161	\$ 186,616

See Accompanying Notes To Financial Statements



Proprietary Fund Types		Account Group		Totals
Enterprise	Internal Service	General Fixed Assets	(Memorandum Only)	
\$ 263,382	\$ 130,697	\$ -	\$ 708,178	
17,459	-	-	17,459	
461,122	-	-	461,122	
1,328	-	-	1,328	
-	-	-	5,224	
-	39,022	-	120,116	
4,819	-	-	12,860	
-	-	-	10,318	
-	-	-	-	
-	-	-	-	
2,827,301	14,578	52,874	2,894,753	
<u>\$ 3,575,411</u>	<u>\$ 184,297</u>	<u>\$ 52,874</u>	<u>\$ 4,231,359</u>	
\$ 3,929	\$ 257	\$ -	\$ 7,143	
51,648	-	-	120,116	
438,982	-	-	438,982	
22,140	-	-	22,140	
-	2,886	-	2,886	
-	10,363	-	10,363	
-	-	-	-	
1,336,000	-	-	1,336,000	
<u>1,852,699</u>	<u>13,505</u>	<u>-</u>	<u>1,937,630</u>	
1,262,243	-	-	1,262,243	
-	-	52,874	52,874	
460,469	170,792	-	631,262	
-	-	-	347,350	
<u>1,722,712</u>	<u>170,792</u>	<u>52,874</u>	<u>2,293,729</u>	
<u>\$ 3,575,411</u>	<u>\$ 184,297</u>	<u>\$ 52,874</u>	<u>\$ 4,231,359</u>	

**Village of Martin, Michigan**  
**Combined Statement of Revenues, Expenditures and Changes**  
**In Fund Balances - All Governmental Fund Types**  
**For The Year Ended March 31, 2004**

	General	Special Revenue	Totals (Memorandum Only)
Revenues			
Taxes	\$ 76,303	\$ -	\$ 76,303
State shared revenue	43,664	40,456	84,120
County revenue	106	8,059	8,165
Township revenue	-	23,401	23,401
Interest	915	420	1,336
Miscellaneous	3,378	-	3,378
Total revenues	<u>124,366</u>	<u>72,336</u>	<u>196,703</u>
Expenditures			
General government	40,921	-	40,921
Building and grounds	32,197	-	32,197
Highways and streets	6,546	-	6,546
Capital outlay	-	71,381	71,381
Routine maintenance	-	11,220	11,220
Winter maintenance	-	10,647	10,647
Other	-	2,220	2,220
Total expenditures	<u>79,663</u>	<u>95,467</u>	<u>175,131</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>44,703</u>	<u>(23,131)</u>	<u>21,572</u>
Other financing sources (uses)			
Operating transfers in (out)	<u>(32,500)</u>	<u>-</u>	<u>(32,500)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	12,203	(23,131)	(10,928)
Fund balance - April 1, 2003	<u>202,474</u>	<u>155,804</u>	<u>358,278</u>
Fund balance - March 31, 2004	<u>\$ 214,677</u>	<u>\$ 132,673</u>	<u>\$ 347,350</u>

See Accompanying Notes To Financial Statements

**Village of Martin, Michigan**  
**Combined Statement of Revenues, Expenditures and Changes**  
**In Fund Balance - Budget and Actual - General and Special Revenue Funds**  
**For The Year Ended March 31, 2004**

	General Fund		
	Budget	Actual	Variance - Favorable (Unfavorable)
Revenues			
Taxes	\$ 70,000	\$ 76,303	\$ 6,303
State shared revenue	40,000	43,664	3,664
County revenue	-	106	106
Township revenue	-	-	-
Interest	2,000	915	(1,085)
Miscellaneous	2,000	3,378	1,378
Total revenues	<u>114,000</u>	<u>124,366</u>	<u>10,366</u>
Expenditures			
General government	41,000	40,921	79
Public safety	-	-	-
Building and grounds	83,500	32,197	51,303
Highways and streets	7,000	6,546	454
Capital outlay	-	-	-
Routine maintenance	-	-	-
Winter maintenance	-	-	-
Other	-	-	-
Total expenditures	<u>131,500</u>	<u>79,663</u>	<u>51,837</u>
Excess of revenues over expenditures before other financing sources (uses)	<u>(17,500)</u>	<u>44,703</u>	<u>62,203</u>
Other financing sources (uses)			
Operating transfers in (out)	<u>-</u>	<u>(32,500)</u>	<u>(32,500)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>(17,500)</u>	<u>12,203</u>	<u>29,703</u>
Fund balance - April 1, 2003	<u>202,474</u>	<u>202,474</u>	<u>-</u>
Fund balance - March 31, 2004	<u>\$ 184,974</u>	<u>\$ 214,677</u>	<u>\$ 29,703</u>

See Accompanying Notes To Financial Statements

Special Revenue Funds

<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
\$ -	\$ -	\$ -
30,000	40,456	10,456
7,000	8,059	1,059
-	23,401	23,401
1,500	420	(1,080)
-	-	-
<u>38,500</u>	<u>72,336</u>	<u>33,836</u>
-	-	-
-	-	-
-	-	-
-	-	-
45,000	71,381	(26,381)
6,000	11,220	(5,220)
12,800	10,647	2,153
16,200	2,220	13,980
<u>80,000</u>	<u>95,467</u>	<u>(15,467)</u>
<u>(41,500)</u>	<u>(23,131)</u>	<u>18,369</u>
-	-	-
(41,500)	(23,131)	18,369
<u>155,804</u>	<u>155,804</u>	<u>-</u>
\$ <u>114,304</u>	\$ <u>132,673</u>	\$ <u>18,369</u>

**Village of Martin, Michigan**  
**Combined Statement of Revenues, Expenditures and Changes**  
**In Retained Earnings - All Proprietary Fund Types**  
**For The Year Ended March 31, 2004**

	Enterprise	Internal Service	Totals (Memorandum Only)
Operating revenues			
Monthly billings	\$ 158,293	\$ -	\$ 158,293
Other income	2,809	-	2,809
Equipment rental	-	31,502	31,502
Total operating revenues	<u>161,102</u>	<u>31,502</u>	<u>192,604</u>
Operating expenses			
Equipment rental	1,000	-	1,000
Insurance	3,345	2,104	5,449
Wages	14,139	1,953	16,092
Depreciation	85,065	4,407	89,472
Payroll taxes	1,082	149	1,231
Miscellaneous	15,774	1,160	16,933
Legal	2,931	-	2,931
Repairs and maintenance	105,379	3,632	109,011
Gas and oil	-	1,672	1,672
Utilities	6,568	-	6,568
Billing expense	863	-	863
Amortization	-	-	-
Total operating expenses	<u>236,144</u>	<u>15,077</u>	<u>251,221</u>
Net operating income (loss)	<u>(75,042)</u>	<u>16,425</u>	<u>(58,617)</u>
Non-operating revenues (expenses)			
Interest	1,774	8	1,782
Miscellaneous	-	1,168	1,168
Interest expense	-	(275)	(275)
Interest - bond	(64,600)	-	(64,600)
Special assessment income	47,519	-	47,519
Loss on sale of fixed asset	-	(4,150)	(4,150)
Total non-operating revenues (expenses)	<u>(15,307)</u>	<u>(3,250)</u>	<u>(18,557)</u>
Income (loss) before operating transfers	(90,349)	13,175	(77,174)
Operating transfers in	-	32,500	32,500
Net income (loss)	(90,349)	45,675	(44,674)
Retained earnings - April 1, 2003	<u>550,818</u>	<u>125,117</u>	<u>675,935</u>
Retained earnings - March 31, 2004	<u>\$ 460,469</u>	<u>\$ 170,792</u>	<u>\$ 631,262</u>

See Accompanying Notes To Financial Statements

**Village of Martin, Michigan**  
**Combined Statement of Revenues, Expenses and Changes in**  
**Retained Earnings - Budget and Actual**  
**Internal Service Fund**  
**Year Ended March 31, 2004**

	Internal Service Fund		
	Budget	Actual	Variance - Favorable (Unfavorable)
Operating revenues			
Equipment rental	\$ 24,000	\$ 31,502	\$ 7,502
Operating expenses			
Wages	10,000	1,953	8,047
Payroll taxes	-	149	(149)
Equipment maintenance and supplies	6,000	3,632	2,368
Gas and oil	1,800	1,672	128
Insurance	1,800	2,104	(304)
Depreciation	10,000	4,407	5,593
Contracted services	150	-	150
Miscellaneous	1,000	1,160	(160)
Total operating expenses	30,750	15,077	15,673
Operating income (loss)	(6,750)	16,425	23,175
Non-operating revenues (expenses)			
Interest income	1,000	8	(992)
Interest expense	(1,200)	(275)	925
Miscellaneous	600	1,168	568
Loss on sale of fixed asset	-	(4,150)	(4,150)
Total non-operating revenues (expenses)	400	(3,250)	(3,650)
Income (loss) before operating transfers	(6,350)	13,175	19,525
Transfers in	-	32,500	32,500
Net income (loss)	(6,350)	45,675	52,025
Retained earnings - April 1, 2003	125,117	125,117	-
Retained earnings - March 31, 2004	\$ 118,767	\$ 170,792	\$ 52,025

See Accompanying Notes To Financial Statements

**Village of Martin, Michigan**  
**Combined Statement of Cash Flows**  
**All Proprietary Fund Types**  
**Year Ended March 31, 2004**

	Enterprise	Internal Service	Totals (Memorandum Only)
Cash flows from operating activities:			
Operating income (loss)	\$ (27,523)	\$ 16,425	\$ (11,098)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	85,065	4,407	89,472
(Increase) decrease in:			
Sewer interest receivable	666	-	666
Accounts receivable	(4,786)	-	(4,786)
Due from other governmental units	(1,905)	-	(1,905)
Due from other funds	-	(18,400)	(18,400)
Increase (decrease) in:			
Due to other funds	7,868	-	7,868
Due to other governmental funds	-	-	-
Deferred special assessments	(4,990)		
Unearned water assessment revenue	(202,461)		
Accounts payable	(3,165)	(1,151)	(4,316)
Net cash provided (used) by operating activities	(151,231)	1,281	(149,950)
Cash flows from non-capital financing activities:			
Operating transfers in	-	32,500	32,500
Cash flows from capital and related financing activities:			
Principal repayments	(10,000)	12,622	2,622
Interest paid	(64,600)	(275)	(64,875)
Assessments	200,685	-	200,685
Miscellaneous	-	1,168	1,168
Net cash provided (used) by capital and related financing activities	126,085	13,515	139,600
Cash flows from investing activities:			
Receipt of interest	1,774	8	1,782
Purchase of equipment	-	(14,600)	(14,600)
Net cash provided (used) by investing activities	1,774	(14,592)	(12,818)
Net increase (decrease) in cash	(23,373)	32,704	9,332
Cash - beginning of year	286,754	97,993	384,747
Cash - end of year	\$ 263,382	\$ 130,697	\$ 394,079

See Accompanying Notes To Financial Statements

**Village of Martin, Michigan**  
**Notes to Financial Statements**  
**March 31, 2004**

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**NOTE 1 - DESCRIPTION OF VILLAGE OPERATIONS**

The Village operates under an elected board of seven members. The Village provides services to its residents in many areas including public safety, highways and streets, sanitation, culture-recreation, public improvements and general administrative services.

In accordance with the provision of GASB Statement 14, certain other governmental organizations are not considered to be part of the Village for financial reporting purposes. The criteria established by GASB for determining the various governmental organizations to be included in the reporting entity's financial statements include financial accountability, imposition of will, financial benefit or burden, and financial dependence. On this basis, the financial statements of certain other governmental organizations are not included in the financial statements of the Village.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Village of Martin, Michigan conform to the accounting principles generally accepted in the United States of America as applicable to governments.

The following is a summary of the more significant policies:

**A. THE REPORTING ENTITY**

These financial statements include all the operations of the Village of Martin, Michigan. There are no other organizations, functions or activities which should be included in these statements.

**B. FUND ACCOUNTING**

The accounts of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operation of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures or expenses, as appropriate. The various funds and account groups are grouped as follows in the financial statements.

**GOVERNMENTAL FUND TYPES**

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for revenues derived from specific sources, other than major capital projects, which are usually required by law or regulation to be accounted for in separate funds.



**Village of Martin, Michigan**  
**Notes to Financial Statements**  
**March 31, 2004**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**PROPRIETARY FUND TYPES**

Enterprise Fund - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing services to the general public on a continuing basis be financed primarily through user charges.

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Village, or to other governments, on a cost-reimbursement basis.

**ACCOUNT GROUPS**

General Fixed Assets - Capital assets acquired by governmental funds ("general fixed assets") are recorded as expenditures at the time of purchase. Such assets are capitalized at cost in the General Fixed Assets Account Group except for certain improvements including roads, bridges, curbs and gutters, drainage system and street lighting system. No depreciation has been provided on general fixed assets.

**C. BASIS OF ACCOUNTING**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statement. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental Funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets, not to exceed sixty days.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued; and (2) principal and interest on general long-term debt which is recognized when due.

All Proprietary Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled Water and Sewer Fund receivables are recorded at year end.

Property tax revenues are recognized when they become available. Available means then due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days.

**Village of Martin, Michigan**  
**Notes to Financial Statements**  
**March 31, 2004**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. BUDGETS AND BUDGETARY ACCOUNTING**

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to year end, the Village Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing the following April 1. The budget includes proposed expenditures and means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted through approval by the Village Council.
4. Budgets are adopted on a basis consistent with the accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General, Special Revenue, and Internal Service Funds. All annual appropriations lapse at fiscal year end.
5. Adoption and amendments of all budgets used by the Village are governed by Public Act 621. Any amendment to the original budget must meet the requirements of Public Act 621.

**E. RECEIVABLES**

Receivables have been recognized for all significant amounts due the Village in accordance with the accounting principles used for the particular fund. All receivables are estimated to be fully collectible as presented.

**F. FIXED ASSETS**

General Fixed Assets - General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Assets in the general fixed assets account group are not depreciated.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not added to the general fixed assets account group.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government.

**Village of Martin, Michigan**  
**Notes to Financial Statements**  
**March 31, 2004**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Proprietary Fund Fixed Assets - Fixed assets and related depreciation allowance as recorded in the proprietary funds, are based on historical cost.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

The assets are being depreciated on the straight-line method of depreciation at rates commonly accepted as reasonable measurements of the useful lives of the respective assets.

**G. PROPERTY TAX REVENUE**

Property tax revenue is recognized in the year for which taxes have been levied and become available. The Village levy date is July 1, therefore the total levy is recorded as revenue in the current year. The lien date is December 31.

**H. TOTAL COLUMNS ON COMBINED STATEMENTS - OVERVIEW**

Total columns on the Combined Statements - Overview are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**I. USE OF ESTIMATES**

The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**J. FUTURE CHANGES IN ACCOUNTING STANDARDS**

The Governmental Accounting Standards Board has issued Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This new reporting standard will impact the City’s revenue and expenditure recognition; and assets, liabilities and fund equity reporting. The new standard will also require reformatting of the financial statements and restating beginning balances. The Village is required to implement the new reporting model for the fiscal year ending March 31, 2005. Due to the significance of the changes required, it is not possible to present pro-forma data prior to implementation.

**Village of Martin, Michigan**  
**Notes to Financial Statements**  
**March 31, 2004**

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**NOTE 3 - CASH**

DEPOSITS - The Village of Martin is authorized by the State of Michigan Public Act, to deposit its funds in banks, savings and loan associations, or credit unions having their principle offices in the State of Michigan.

The carrying amount at year-end of the Village's deposits with financial institutions was \$708,178 which is classified as cash and investments.

The actual bank balances amounted to \$709,868. Of this amount, \$100,000 was insured by the FDIC and \$609,868 was uninsured and uncollateralized.

INVESTMENTS - The Village is authorized by State of Michigan Public Act 132 of 1986 to invest in the following:

- a. Bonds, bills or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the state.
- b. Certificates of deposit issued by a state or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this state.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d. Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- e. United States government or federal agency obligation repurchase agreements.
- f. Bankers' acceptances issued by a bank that is a member of the federal deposit insurance corporation.
- g. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a village.
- h. Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a village.

**Village of Martin, Michigan**  
**Notes to Financial Statements**  
**March 31, 2004**

**NOTE 4 - CHANGES IN GENERAL FIXED ASSETS**

A summary of changes in general fixed assets follows:

	<u>Balance</u> <u>April 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>March 31, 2004</u>
Land	\$ 23,800	\$ --	\$ --	\$ 23,800
Buildings	12,422	--	--	12,422
Office Equipment	15,910	--	--	15,910
Equipment	<u>742</u>	<u>--</u>	<u>--</u>	<u>742</u>
	<u>\$ 52,874</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 52,874</u>

**NOTE 5 - PROPRIETARY FUND PROPERTY AND EQUIPMENT**

A summary of proprietary fund property and equipment at March 31, 2004 is as follows:

	<u>Enterprise</u>		<u>Internal Service</u>	
	<u>Cost</u>	<u>Useful Lives</u>	<u>Cost</u>	<u>Useful Lives</u>
Sewage disposal system	\$ 1,593,445	50 years	\$ --	
Water system	2,189,132	50 years	--	
Equipment	<u>--</u>		<u>102,572</u>	5 - 10 years
	3,782,577		102,572	
Less: accumulated depreciation	<u>955,276</u>		<u>87,994</u>	
	<u>\$ 2,827,301</u>		<u>\$ 14,578</u>	

**NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payables of the individual funds at March 31, 2004:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 81,094	\$ 16,196
Special Revenue Funds		
Major street	--	47,254
Local street	--	5,018
Enterprise Funds		
Sewer	--	26,268
Water	--	25,380
Internal Service Fund		
Equipment	<u>39,022</u>	<u>--</u>
	<u>\$ 120,116</u>	<u>\$ 120,116</u>

**Village of Martin, Michigan**  
**Notes to Financial Statements**  
**March 31, 2004**

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**NOTE 7 - LONG-TERM DEBT**

The following is a summary of long-term debt transactions of the Village for the year ended March 31, 2004:

	<u>Sewer Fund</u> <u>Bonds</u>	<u>Water Fund</u> <u>Bonds</u>	<u>Total</u>
Balance at April 1, 2003	\$ -	\$ 1,360,000	\$ 1,360,000
Less: reductions	<u>-</u>	<u>24,000</u>	<u>24,000</u>
Balance at March 31, 2004	\$ <u>-</u>	\$ <u>1,336,000</u>	\$ <u>1,336,000</u>

\$1,370,000 - 2002 Allegan County Water Supply System Revenue Bonds issued by USDA Rural Development on April 4, 2002, due in annual installments of \$10,000 - \$55,000 through April 1, 2041, interest @ 4.75%. Interest is payable semi-annually.

\$ 1,336,000

The future principal and interest payments are as follows:

<u>Year Ending</u> <u>March 31,</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Amount</u>	<u>Total</u> <u>Amount</u>
2005	\$ -	\$ 32,063	\$ 32,063
2006	10,000	63,888	73,888
2007	10,000	63,413	73,413
2008	20,000	62,701	82,701
2009	20,000	61,751	81,751
2010 - 2014	115,000	293,434	408,434
2015 - 2019	140,000	263,151	403,151
2020 - 2024	170,000	226,099	396,099
2025 - 2029	205,000	181,571	386,571
2030 - 2034	235,000	129,557	364,557
2035 - 2039	260,000	70,775	330,775
2040 - 2042	<u>151,000</u>	<u>11,757</u>	<u>162,757</u>
	\$ <u>1,336,000</u>	\$ <u>1,460,160</u>	\$ <u>2,796,160</u>

\$14,000 – note payable issued by John Deere Credit on January 7, 2004, due in 48 installments of \$341.02 through January 7, 2008, interest at 7.90%

\$ 13,249

**Village of Martin, Michigan**  
**Notes to Financial Statements**  
**March 31, 2004**

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**NOTE 7 – LONG-TERM DEBT (continued)**

The annual requirements to pay future principal and interest are as follows:

<u>Year Ending</u> <u>March 31,</u>		<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Amount</u>	<u>Total</u> <u>Amount</u>
2004		2,886	866	3,752
2005	3,395	698	4,093	
2006		3,673	419	4,092
2007		<u>3,295</u>	<u>115</u>	<u>3,410</u>
		<u>\$ 13,249</u>	<u>\$ 2,098</u>	<u>\$ 15,347</u>

Interest expense for the year ended March 31, 2004 was \$64,875.

**NOTE 8 - SEGMENT INFORMATION**

The Water and Sewer Fund is a single entity and provides the Village with water and sewer services. The assets of the Fund are jointly owned and the combined revenues of the utilities are pledged to the outstanding revenue bond debt. The Village maintains records within the enterprise fund to provide for segment information of the water and sewer operations as follows:

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Total assets	\$ 1,016,218	\$ 2,559,192	\$ 3,575,411
Total current liabilities	51,975	464,723	516,699
Operating revenue (gross)	81,109	127,512	208,621
Depreciation expense	33,406	51,659	85,065
Net property and equipment	907,708	1,919,593	2,827,301
Long-term liabilities	-	1,336,000	1,336,000
Total equity	964,243	758,469	1,722,712
Operating income (loss)	(75,643)	48,120	(27,523)
Net income (loss)	(75,004)	(15,345)	(90,349)

**Village of Martin, Michigan**  
**Notes to Financial Statements**  
**March 31, 2004**

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**NOTE 9 – RISK MANAGEMENT**

The Village is exposed to various risks of loss related to property loss, torts, errors and omission, employees' injuries (workers' compensation), as well as medical benefits provided to employees. The Village has purchased commercial insurance for workers' compensation, death and disability, hospitalization and life claims, and participates in the Michigan Municipal League risk pool for claims relating to liability, fire, fleet, and bonds. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

**NOTE 10 – CONTRIBUTED CAPITAL**

During the year, contributed capital decreased by the following amounts:

	<u>Sewer</u>	<u>Water</u>
Contributed capital – April 1, 2003	\$ 754,895	\$ 549,843
Amortization of contributed capital	<u>27,950</u>	<u>14,546</u>
Contributed capital – March 31, 2004	<u>\$ 726,945</u>	<u>\$ 535,297</u>



**Supplemental Financial Information**



**Report on Compliance and on Internal Control  
Over Financial Reporting Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

To the Village Council  
Village of Martin  
Martin, Michigan

We have audited the general-purpose financial statements of the Village of Martin, Michigan, as of and for the year ended March 31, 2004, and have issued our report thereon dated August 30, 2004, which is unqualified. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Martin's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Village of Martin in a separate letter dated August 30, 2004.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Martin's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the Village of Martin in a separate letter dated August 30, 2004.

This report is intended for the information of the Village Council, management, federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

*Yeo & Yeo, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

Kalamazoo, Michigan  
August 30, 2004

**General Fund**

**Village of Martin, Michigan**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Year Ended March 31, 2004**

---

Revenues	
Taxes	\$ 76,303
State shared revenue	43,664
Miscellaneous	<u>4,400</u>
Total revenues	<u>124,366</u>
Expenditures	
General government	40,921
Building and grounds	32,197
Highways and streets	<u>6,546</u>
Total expenditures	<u>79,663</u>
Excess revenues over expenditures before other financing (uses)	44,703
Other financing (uses)	
Operating transfer out	<u>(32,500)</u>
Excess of revenues over expenditures and other financing (uses)	12,203
Fund balance - April 1, 2003	<u>202,474</u>
Fund balance - March 31, 2004	\$ <u><u>214,677</u></u>

**Village of Martin, Michigan**  
**General Fund**  
**Statement of Revenues**  
**Year Ended March 31, 2004**

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Taxes		
Current property taxes	\$	74,668
Collection fees		<u>1,634</u>
Total taxes		<u>76,303</u>
State shared revenue		
Taxes		<u>43,664</u>
Miscellaneous		
County shared revenue		106
Interest		915
Other		<u>3,378</u>
Total miscellaneous		<u>4,400</u>
Total revenues	\$	<u><u>124,366</u></u>

**Village of Martin, Michigan**  
**General Fund**  
**Statement of Expenditures**  
**Year Ended March 31, 2004**

---

General government		
Commission		
Fees	\$	2,150
Membership and dues		536
Audit fee		2,879
Insurance		2,288
Miscellaneous		<u>532</u>
Total commission		<u>8,385</u>
Elections		
Fees		448
Office Supplies		75
Printing and publishing		<u>1,130</u>
Total elections		<u>1,652</u>
Clerk		
Salaries and wages		6,058
Payroll taxes		463
Miscellaneous		<u>72</u>
Total clerk		<u>6,593</u>
Treasurer		
Salaries and wages		4,800
Payroll taxes		367
Office supplies		10
Tax roll and statements		315
Insurance and bonds		<u>155</u>
Total treasurer	\$	<u>5,647</u>

**Village of Martin, Michigan**  
**General Fund**  
**Statement of Expenditures**  
**Year Ended March 31, 2004**

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General government (continued)

General

Contracted services	\$ 399
Community promotion	1,334
Legal services	1,401
Office rent	4,560
Office utilities	2,908
Office wages	5,205
Payroll taxes	398
Supplies	2,437

Total general	<u>18,643</u>
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Total general government	<u>40,921</u>
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Building and grounds

Public works

Salaries and wages	8,996
Fringe benefits	688
Insurance and bonds	241
Equipment purchases	-
Utilities	2,678
Equipment rental	18,293
Miscellaneous	1,124

Total public works	<u>32,020</u>
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Parking lot

Maintenance	176
Sidewalks	-

Total parking lot	<u>176</u>
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Total building and grounds	<u>32,197</u>
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Highways and streets

Street lights	6,546
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Total expenditures	<u><u>\$ 79,663</u></u>
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**Special Revenue Funds**

**Village of Martin, Michigan**  
**Special Revenue Funds**  
**Combining Balance Sheet**  
**March 31, 2004**

	<u>Major Streets</u>	<u>Local Streets</u>	<u>Totals</u>
<b>Assets</b>			
Cash	\$ 145,196	\$ 25,521	\$ 170,718
Due from other governmental units	8,041	-	8,041
Due from State of Michigan	<u>6,684</u>	<u>1,174</u>	<u>7,858</u>
<b>Total assets</b>	<b>\$ <u>159,921</u></b>	<b>\$ <u>26,695</u></b>	<b>\$ <u>186,616</u></b>
 <b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Accounts payable	\$ 1,269	\$ 402	\$ 1,671
Due to other funds	<u>47,254</u>	<u>5,018</u>	<u>52,272</u>
<b>Total liabilities</b>	<b><u>48,523</u></b>	<b><u>5,420</u></b>	<b><u>53,943</u></b>
 <b>Fund balance</b>			
Unreserved	<u>111,398</u>	<u>21,275</u>	<u>132,673</u>
<b>Total fund balance</b>	<b><u>111,398</u></b>	<b><u>21,275</u></b>	<b><u>132,673</u></b>
 <b>Total liabilities and fund balance</b>	 <b>\$ <u>159,921</u></b>	 <b>\$ <u>26,695</u></b>	 <b>\$ <u>186,616</u></b>

**Village of Martin, Michigan**  
**Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended March 31, 2004**

	<u>Major Streets</u>	<u>Local Streets</u>	<u>Totals</u>
Revenues			
State shared revenue	\$ 34,427	\$ 6,029	\$ 40,456
County revenue	8,059	-	8,059
Township revenue	23,401	-	23,401
Interest	<u>283</u>	<u>138</u>	<u>420</u>
Total revenues	<u>66,170</u>	<u>6,167</u>	<u>72,336</u>
Expenditures			
Capital outlay	71,131	250	71,381
Routine maintenance	11,220	-	11,220
Winter maintenance	9,499	1,148	10,647
Other	<u>1,818</u>	<u>402</u>	<u>2,220</u>
Total expenditures	<u>93,668</u>	<u>1,800</u>	<u>95,467</u>
Excess (deficiency) of revenues over expenditures	<u>(27,498)</u>	<u>4,367</u>	<u>(23,131)</u>
Fund balances - April 1, 2003	<u>138,896</u>	<u>16,908</u>	<u>155,804</u>
Fund balances - March 31, 2004	<u>\$ 111,398</u>	<u>\$ 21,275</u>	<u>\$ 132,673</u>

**Major Street Fund**

**Village of Martin, Michigan**  
**Major Street Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual**  
**Year Ended March 31, 2004**

	Budget	Actual	Variance - Favorable (Unfavorable)
Revenues			
State shared revenue	\$ 25,000	\$ 34,427	\$ 9,427
County revenue	7,000	8,059	1,059
Township revenue	-	23,401	23,401
Interest	1,000	283	(717)
Total revenues	<u>33,000</u>	<u>66,170</u>	<u>33,170</u>
Expenditures			
Capital outlay	45,000	71,131	(26,131)
Routine maintenance	6,000	11,220	(5,220)
Winter maintenance	6,000	9,499	(3,499)
Other	15,800	1,818	13,982
Total expenditures	<u>72,800</u>	<u>93,668</u>	<u>(20,868)</u>
Excess (deficiency) of revenues over expenditures	(39,800)	(27,498)	12,302
Fund balance - April 1, 2003	<u>138,896</u>	<u>138,896</u>	<u>-</u>
Fund balance - March 31, 2004	<u>\$ 35,200</u>	<u>\$ 111,398</u>	<u>\$ 76,198</u>

**Village of Martin, Michigan**  
**Major Street Fund**  
**Statement of Expenditures - Budget and Actual**  
**Year Ended March 31, 2004**

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Capital outlay			
Main street project	\$ 45,000	\$ 71,131	\$ (26,131)
Total street improvements	<u>45,000</u>	<u>71,131</u>	<u>(26,131)</u>
Routine maintenance			
Salaries and wages	2,000	2,741	(741)
Payroll taxes	-	210	(210)
Repairs and maintenance	-	924	(924)
Equipment rental	<u>4,000</u>	<u>7,345</u>	<u>(3,345)</u>
Total routine maintenance	<u>6,000</u>	<u>11,220</u>	<u>(5,220)</u>
Winter maintenance			
Salaries and wages	1,000	1,547	(547)
Payroll taxes	-	118	(118)
Repairs and maintenance	3,000	3,725	(725)
Equipment rental	<u>2,000</u>	<u>4,109</u>	<u>(2,109)</u>
Total winter maintenance	<u>6,000</u>	<u>9,499</u>	<u>(3,499)</u>
Other			
Engineering	5,000	-	5,000
Drain expense	5,000	163	4,838
Traffic service	1,200	825	375
Contracted services	4,000	-	4,000
Insurance	100	46	54
Miscellaneous	<u>500</u>	<u>784</u>	<u>(284)</u>
Total other	<u>15,800</u>	<u>1,818</u>	<u>13,982</u>
Total expenditures	<u>\$ 72,800</u>	<u>\$ 93,668</u>	<u>\$ (20,868)</u>

**Local Street Fund**

**Village of Martin, Michigan**  
**Local Street Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual**  
**Year Ended March 31, 2004**

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
State shared revenue	\$ 5,000	\$ 6,029	\$ 1,029
Interest	<u>500</u>	<u>139</u>	<u>(361)</u>
Total revenues	<u>5,500</u>	<u>6,167</u>	<u>667</u>
Expenditures			
Capital outlay	-	250	(250)
Winter maintenance	6,800	1,148	5,652
Other	<u>400</u>	<u>402</u>	<u>(2)</u>
Total expenditures	<u>7,200</u>	<u>1,800</u>	<u>5,400</u>
Excess (deficiency) of revenues over expenditures	(1,700)	4,367	6,067
Fund balance - April 1, 2003	<u>16,908</u>	<u>16,908</u>	<u>-</u>
Fund balance - March 31, 2004	\$ <u><u>15,208</u></u>	\$ <u><u>21,275</u></u>	\$ <u><u>6,067</u></u>



**Village of Martin, Michigan**  
**Local Street Fund**  
**Statement of Expenditures - Budget and Actual**  
**Year Ended March 31, 2004**

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Capital outlay			
Street construction	\$ -	\$ 250	\$ (250)
Total street improvements	<u>-</u>	<u>250</u>	<u>(250)</u>
Winter maintenance			
Contracted services	1,000	-	1,000
Salaries and wages	800	290	510
Payroll taxes	-	22	(22)
Equipment rental	1,000	756	244
Drain	2,000	-	2,000
Repairs and maintenance	<u>2,000</u>	<u>80</u>	<u>1,920</u>
Total winter maintenance	<u>6,800</u>	<u>1,148</u>	<u>5,652</u>
Other			
Miscellaneous	<u>400</u>	<u>402</u>	<u>(2)</u>
Total other	<u>400</u>	<u>402</u>	<u>(2)</u>
Total expenditures	<u>\$ 7,200</u>	<u>\$ 1,800</u>	<u>\$ 5,400</u>

**Enterprise Funds**

**Village of Martin, Michigan**  
**Enterprise Funds**  
**Combining Balance Sheet**  
**March 31, 2004**

	Sewer Fund	Water Fund	Totals
<b>Assets</b>			
Current assets			
Cash	\$ 74,828	\$ 188,554	\$ 263,382
Sewer interest receivable	1,328	-	1,328
Assessments receivable - current	3,816	41,378	45,194
Accounts receivable	5,395	12,064	17,459
Due from other governmental units	4,819	-	4,819
Total current assets	<u>90,186</u>	<u>241,996</u>	<u>332,182</u>
Property, plant and equipment, net of accumulated depreciation	907,708	1,919,593	2,827,301
Noncurrent assets			
Assessments receivable - long term	<u>18,324</u>	<u>397,604</u>	<u>415,928</u>
Total assets	<u>\$ 1,016,218</u>	<u>\$ 2,559,192</u>	<u>\$ 3,575,411</u>
<b>Liabilities and Fund Equity</b>			
Current liabilities			
Accounts payable	\$ 3,568	\$ 361	\$ 3,929
Due to other funds	26,268	25,380	51,648
Deferred assessment	22,140	-	22,140
Unearned water assessment revenue	-	438,982	438,982
Bonds payable			
Current	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>51,975</u>	<u>464,723</u>	<u>516,699</u>
Long term liabilities			
Bonds payable (less current portion)	<u>-</u>	<u>1,336,000</u>	<u>1,336,000</u>
Fund equity			
Contributed capital	726,945	535,297	1,262,243
Retained earnings			
Unreserved	<u>237,298</u>	<u>223,171</u>	<u>460,469</u>
Total fund equity	<u>964,243</u>	<u>758,469</u>	<u>1,722,712</u>
Total liabilities and fund equity	<u>\$ 1,016,218</u>	<u>\$ 2,559,192</u>	<u>\$ 3,575,411</u>

**Village of Martin, Michigan**  
**Enterprise Funds**  
**Combining Statement of Revenue, Expenses and**  
**Changes in Fund Equity**  
**Year Ended March 31, 2004**

	Sewer Fund	Water Fund	Totals
Operating revenues			
Monthly billings	\$ 75,018	\$ 83,276	\$ 158,293
Special assessment income	6,092	41,427	47,519
Other income	-	2,809	2,809
Total operating revenues	<u>81,109</u>	<u>127,512</u>	<u>208,621</u>
Operating expenses			
Equipment rental	395	605	1,000
Insurance	966	2,379	3,345
Wages	2,437	11,702	14,139
Depreciation	33,406	51,659	85,065
Payroll taxes	186	895	1,082
Legal	2,017	915	2,931
Miscellaneous	11,700	4,073	15,774
Billing expense	-	863	863
Utilities	2,418	4,150	6,568
Amortization	-	-	-
Repairs and maintenance	103,228	2,151	105,379
Total operating expenses	<u>156,753</u>	<u>79,392</u>	<u>236,144</u>
Operating income (loss)	<u>(75,643)</u>	<u>48,120</u>	<u>(27,523)</u>
Non-operating revenues (expenses)			
Interest	639	1,135	1,774
Interest - bond	-	(64,600)	(64,600)
Total non-operating revenues (expenses)	<u>639</u>	<u>(63,465)</u>	<u>(62,826)</u>
Net loss	(75,004)	(15,345)	(90,349)
Retained earnings - April 1, 2003	<u>312,302</u>	<u>238,516</u>	<u>550,818</u>
Retained earnings - March 31, 2004	<u>\$ 237,298</u>	<u>\$ 223,171</u>	<u>\$ 460,469</u>

**Village of Martin, Michigan**  
**Enterprise Funds**  
**Combining Statement of Cash Flows**  
**Year Ended March 31, 2004**

	Sewer Fund	Water Fund	Totals
Cash flows from operating activities:			
Operating income (loss)	\$ (75,643)	\$ 48,120	\$ (27,523)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	33,406	51,659	85,065
(Increase) decrease in:			
Sewer interest receivable	666		666
Accounts receivable	(839)	(3,947)	(4,786)
Due from other governmental units	(1,905)	-	(1,905)
Increase (decrease) in:			
Due to other funds	2,941	4,927	7,868
Deferred special assessments	(4,990)	-	(4,990)
Unearned water assessment revenue	-	(202,461)	(202,461)
Accounts payable	(3,027)	(138)	(3,165)
Net cash provided (used) by operating activities	<u>(49,392)</u>	<u>(101,840)</u>	<u>(151,231)</u>
Cash flows from capital and related financing activities:			
Principal repayments	-	(10,000)	(10,000)
Interest paid	-	(64,600)	(64,600)
Assessments	4,990	195,695	200,685
Net cash used by financing activities:	<u>4,990</u>	<u>121,095</u>	<u>126,085</u>
Cash flows from investing activities:			
Receipt of interest	639	1,135	1,774
Net cash provided by investing activities:	<u>639</u>	<u>1,135</u>	<u>1,774</u>
Net increase (decrease) in cash	(43,763)	20,390	(23,373)
Cash at beginning of year	<u>118,591</u>	<u>168,164</u>	<u>286,754</u>
Cash at end of year	<u>\$ 74,828</u>	<u>\$ 188,554</u>	<u>\$ 263,382</u>

**Internal Service Fund**

**Village of Martin, Michigan**  
**Internal Service Fund**  
**Balance Sheet**  
**March 31, 2004**

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	<u>Equipment Fund</u>
<b>Assets</b>	
Current assets	
Cash	\$ 130,697
Due from other funds	<u>39,022</u>
Total current assets	169,719
Equipment	
Net of accumulated depreciation	<u>14,578</u>
Total assets	<u><u>\$ 184,297</u></u>
<b>Liabilities and Fund Equity</b>	
Current liabilities	
Accounts payable	\$ 257
N/P - John Deere (current portion)	<u>2,886</u>
Total current liabilities	3,142
Long-term liabilities	
N/P - John Deere (less current portion)	<u>10,363</u>
Total liabilities	13,505
Fund equity	
Retained earnings	<u>170,792</u>
Total liabilities and fund equity	<u><u>\$ 184,297</u></u>

**Village of Martin, Michigan**  
**Internal Service Fund**  
**Statement of Changes in Revenues, Expenses and**  
**Changes in Retained Earnings - Budget and Actual**  
**Year Ended March 31, 2004**

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Operating revenues			
Equipment rental	\$ 24,000	\$ 31,502	\$ 7,502
Operating expenses			
Wages	10,000	1,953	8,047
Payroll taxes	-	149	(149)
Equipment maintenance and supplies	6,000	3,632	2,368
Insurance	1,800	2,104	(304)
Gas and oil	1,800	1,672	128
Depreciation	10,000	4,407	5,593
Contracted services	150	-	150
Miscellaneous	1,000	1,160	(160)
Total operating expenses	<u>30,750</u>	<u>15,077</u>	<u>15,673</u>
Operating income (loss)	<u>(6,750)</u>	<u>16,425</u>	<u>23,175</u>
Non-operating revenues (expenses)			
Interest income	1,000	8	(992)
Interest expense	(1,200)	(275)	925
Miscellaneous	600	1,168	568
Loss on sale of fixed asset	<u>-</u>	<u>(4,150)</u>	<u>(4,150)</u>
Total non-operating revenues (expenses)	<u>400</u>	<u>(3,250)</u>	<u>(3,650)</u>
Income (loss) before operating transfers	<u>(6,350)</u>	<u>13,175</u>	<u>19,525</u>
Operating transfers in	<u>-</u>	<u>32,500</u>	<u>32,500</u>
Net income (loss)	<u>(6,350)</u>	<u>45,675</u>	<u>52,025</u>
Retained earnings - April 1, 2003	<u>125,117</u>	<u>125,117</u>	<u>-</u>
Retained earnings - March 31, 2004	<u>\$ 118,767</u>	<u>\$ 170,792</u>	<u>\$ 52,025</u>



**Village of Martin, Michigan**  
**Internal Service Fund**  
**Statement of Cash Flows**  
**Year Ended March 31, 2004**

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Cash flows from operating activities:		
Operating income		\$ 16,425
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation	\$ 4,407	
(Increase) decrease in:		
Due from other funds	(18,400)	
Increase (decrease) in:		
Accounts payable	(1,151)	(15,144)
		<u>1,281</u>
Net cash provided by operating activities		
Cash flows from non-capital financing activities:		
Operating transfers in		<u>32,500</u>
Cash flows from capital and related financing activities:		
Principal repayments	12,622	
Interest paid	(275)	
Miscellaneous	1,168	13,515
		<u>13,515</u>
Cash flows from investing activities:		
Receipt of interest	8	
Purchase of equipment	(14,600)	(14,592)
		<u>(14,592)</u>
Net increase in cash		32,704
Cash at beginning of year		<u>97,993</u>
Cash at end of year		\$ <u><u>130,697</u></u>

**Schedule of General Fixed Assets**

**Village of Martin, Michigan**  
**Schedule of General Fixed Assets**  
**March 31, 2004**

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General fixed assets

Land	\$ 23,800
Buildings	12,422
Vehicles and equipment	15,910
Office equipment	<u>742</u>

Total	\$ <u><u>52,874</u></u>
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Investment in general fixed assets	\$ <u><u>52,874</u></u>
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**Bond Schedule**

**Village of Martin**  
**Water Supply System Bonds Payable**  
**Schedule of Debt Retirement**  
**March 31, 2004**

Year	Principal	Rate	Interest		Total
			April 1	October 1	
2004	\$ -	4.75%	\$ -	\$ 32,063	\$ 32,063
2005	10,000	4.75%	32,063	31,825	73,888
2006	10,000	4.75%	31,825	31,588	73,413
2007	20,000	4.75%	31,588	31,113	82,701
2008	20,000	4.75%	31,113	30,638	81,751
2009	20,000	4.75%	30,638	30,163	80,801
2010	20,000	4.75%	30,163	29,688	79,851
2011	25,000	4.75%	29,688	29,094	83,782
2012	25,000	4.75%	29,094	28,500	82,594
2013	25,000	4.75%	28,500	27,906	81,406
2014	25,000	4.75%	27,906	27,313	80,219
2015	25,000	4.75%	27,313	26,719	79,032
2016	30,000	4.75%	26,719	26,006	82,725
2017	30,000	4.75%	26,006	25,294	81,300
2018	30,000	4.75%	25,294	24,581	79,875
2019	30,000	4.75%	24,581	23,869	78,450
2020	35,000	4.75%	23,869	23,038	81,907
2021	35,000	4.75%	23,038	22,205	80,243
2022	35,000	4.75%	22,205	21,375	78,580
2023	35,000	4.75%	21,375	20,544	76,919
2024	40,000	4.75%	20,544	19,594	80,138
2025	40,000	4.75%	19,594	18,644	78,238
2026	40,000	4.75%	18,644	17,694	76,338
2027	40,000	4.75%	17,694	16,744	74,438
2028	45,000	4.75%	16,744	15,675	77,419
2029	45,000	4.75%	15,675	14,606	75,281
2030	45,000	4.75%	14,606	13,538	73,144
2031	45,000	4.75%	13,538	12,469	71,007
2032	50,000	4.75%	12,469	11,281	73,750
2033	50,000	4.75%	11,281	10,094	71,375
2034	50,000	4.75%	10,094	8,906	69,000
2035	50,000	4.75%	8,906	7,719	66,625
2036	50,000	4.75%	7,719	6,531	64,250
2037	55,000	4.75%	6,531	5,225	66,756
2038	55,000	4.75%	5,225	3,919	64,144
2039	55,000	4.75%	3,919	2,613	61,532
2040	55,000	4.75%	2,613	1,306	58,919
2041	41,000	4.75%	1,306	-	42,306
	<u>\$ 1,336,000</u>		<u>\$ 730,080</u>	<u>\$ 730,080</u>	<u>\$ 2,796,160</u>

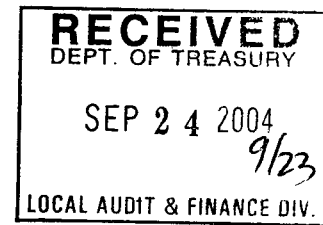
Bonds are payable April first of each year, as presented above.



August 30, 2004

Members of the Village Council  
Martin, Michigan

Council Members:



In planning and performing our audit of the financial statements of the Village of Martin for the year ended March 31, 2004, we considered the Village's internal control structure to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform an additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

#### **CURRENT YEAR CONDITIONS:**

##### **Budget Allocation to Specific Account Numbers**

The budget is currently approved by the council as an allocation to revenue and expense groups within each fund type. The budget should be allocated throughout each fund based on account numbers. This would allow for a more accurate analysis of revenue and expenditures on a "budget versus actual" basis, as all material expense budget overruns must be disclosed separately in the financial statement footnotes.

##### **Disbursement Vouchers Only List the Fund Category**

The disbursement vouchers are only categorized by fund type. They should be categorized by fund and account number. This provides better controls and would aid in tying expenses from the disbursement vouchers directly to the general ledger.

### **Bank Reconciliations Should Be Reviewed By Someone Independent From the Disbursement Function**

An important internal control and a good mitigating factor toward the lack of segregation of duties is the review of the bank reconciliations by a person independent from the disbursement function. This control would help to assure no transactions or items have been missed, hidden or concealed from the accounting records.

### **Expenses Should Be Classified In the Proper Accounts**

During our testing, it came to our attention legal expenses were classified in various expense accounts, rather than in the legal or professional expense account. Material expense items should be segregated into their own expense accounts in the general ledger using the municipal chart of accounts. This should prevent future errors and confusion in identifying costs from audit year to audit year and in relation to the current budget.

### **GASB 34**

The Governmental Accounting Standards Board has approved GASB 34. This is a new financial Statement reporting model. Based upon the Village's revenues, your required implementation deadline will be with the March 31, 2005 financial statements. The purpose of the new model is to make the financial statements of all entities comparable. Nonprofits have already implemented a similar reporting requirement.

A major issue involved with implementing the new guidelines is that fixed assets are to be reported at historical cost and depreciated over their estimated useful lives. Your assets of the governmental fund types have previously been reported at cost and never depreciated.

The Village needs to determine who will be responsible for maintaining fixed asset records and develop a timeline for implementation and proper training. Also, please keep in mind that we will need beginning balances as of April 1, 2004 for your fixed assets under the new reporting guidelines.

Our firm appreciates the opportunity to serve the Village of Martin, and would like to thank the Village Manager, Village Clerk, Village Treasurer and the staff for their cooperation and assistance.

Respectfully,

*Yeo & Yeo, P.C.*

Yeo & Yeo, P.C.  
Kalamazoo, Michigan